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NCUA Media Release

NCUA Testifies on Underbanked Credit

Low-Income Community Lending Increases, Small Loans Product Takes Root

WASHINGTON (Sept. 22, 2011) – National Credit Union Administration (NCUA) Executive Director David Marquis testified before the House Financial Services Subcommittee on Financial Institutions and Consumer Credit here today on the availability of credit for and lending to people who primarily use alternative financial services, also called the underbanked.

"Credit unions have a mission of meeting the credit and savings needs of consumers, especially people of modest means," said Marquis. "NCUA has considerable experience in facilitating the ability of credit unions to meet the financial needs of the underbanked."

Since December 2007, credit union loans have expanded by 6 percent. Concurrently, low-income credit unions (LICUs) have nearly tripled in assets and lending and doubled in members. In 2003 there were 963 LICUs with $15.2 billion in assets, $9.9 billion in loans and 3.2 million members. As of June 30, there were 1,118 LICUs with $44.3 billion in assets, $27.2 billion in loans and 6.1 million members.

Low-income credit unions increased loan growth by more than twice the rate of loans at other credit unions, 14 percent versus 6 percent, during this period. Notably, real estate lending by LICUs grew by 29 percent versus 12 percent at other credit unions.

Marquis also discussed NCUA's rule on short-term, small amount loans, finalized in September 2010. The rule allows federal credit unions to offer members an alternative to payday lenders.

"With strong consumer protections, the rule balances increased risk with access to affordable, fully amortized credit that is faster and easier to qualify for," said Marquis.

Since its introduction, the small loan product has gained growing market acceptance and enhanced the availability of short-term credit. Today, 343 federal credit unions report more than 33,000 small loans, averaging $412 each with just below a 21 percent interest rate, significantly lower than the triple-digit interest rates often charged by payday lenders.

For the complete testimony, visit http://www.ncua.gov/NewsPublications/News/Testimony.aspx.

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 91 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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